

REAL ESTATE MARKET OVERVIEW – RIGA AND GREATER RIGA AREA

June 2006

- **In June, increase in prices of standard type apartments continued in Riga.**
- **Average prices of standard type apartments reached 1,217 EUR per sqm.**
- **Prices of standard type apartments decreased in Lithuania and Estonia.**
- **In Riga, amount of transactions with apartments decreased during the last three months.**
- **In June, there were 8 new housing projects offered on the market of new homes.**
- **In Bolderaja – the first new multi-apartment block project on 25 Sturmanu street.**
- **Jurmala Town Council adopted controversial amendments of town development plan.**
- **Due to intercepted amendments of development plan in Babite parish, there are difficulties with sitting on construction propositions on Spilve polder territory.**
- **In June, elaboration of a new development plan of Babite parish was begun.**
- **On Daugavas street, near Riga detour road, a new Class B office centre is being constructed.**
- **In June, an imposing trade complex „Elkor Plaza” was opened.**
- **Premises for the highest rent price in the amount of 75 EUR per sqm were leased out on Barona street.**
- **In Olaine parish, there is a new industrial park „Dommo Business Park” developed.**

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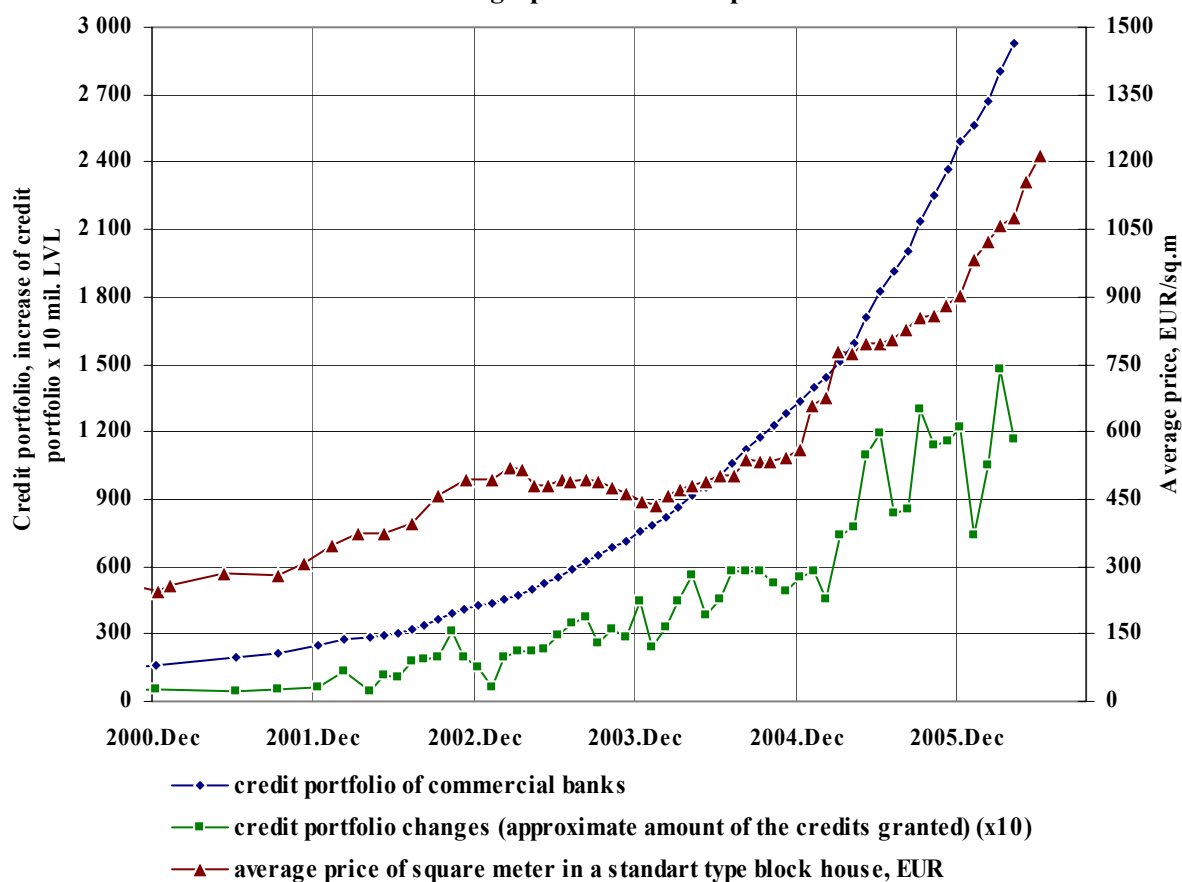
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HOUSING MARKET

GENERAL ECONOMIC SITUATION

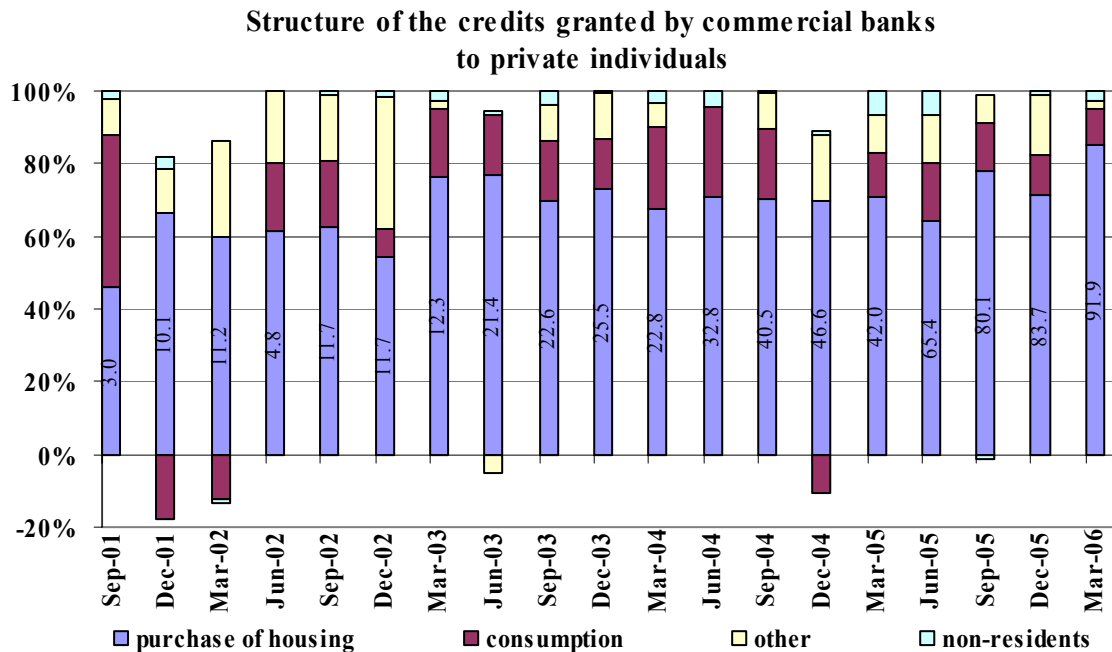
Credits granted to private individuals by commercial banks,
average prices of total space



Source: The Finance and Capital Market Commission, LATIO

Credit portfolio granted by commercial banks of Latvia to private persons keeps growing. According to the latest data published by the Finance and Capital Market Commission (FCMC), this April credit portfolio increased for 120 million LVL that conforms with average increase.

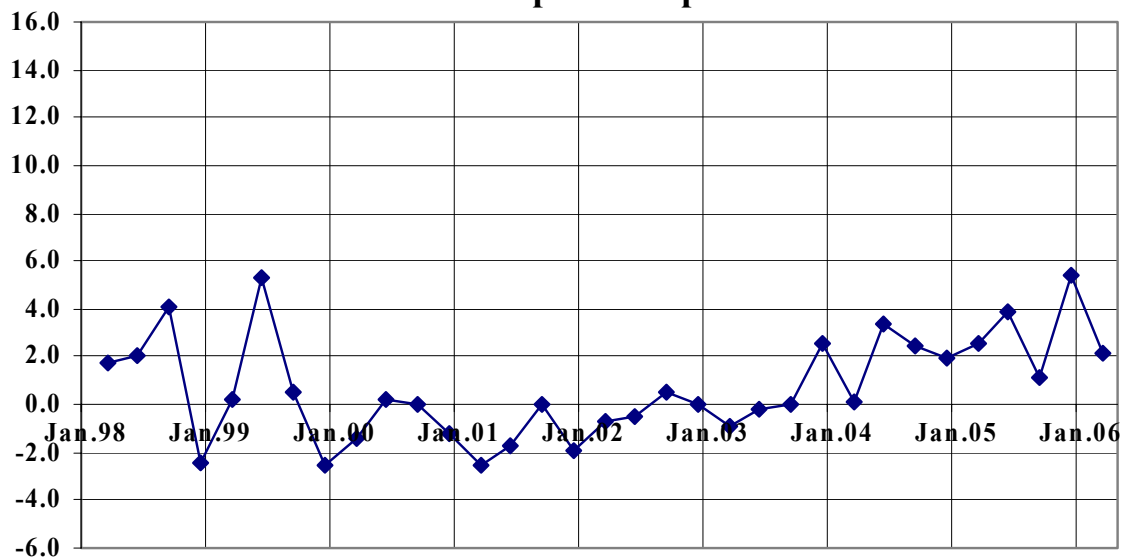
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Source: The Finance and Capital Market Commission

The structure of credit portfolio changes altered that closely characterised the structure of granted or refinanced credits during the respective period (the 1st quarter of this year). In the first quarter of this year proportion of mortgage credits increased in comparison to the previous quarter – the 4th quarter of the year 2005. According to FCMC classification, the division „others” within the credit structure decreased, meaning that a part of short-term credits was refinanced with long-term ones – mortgage credits.

CHANGES IN CONSTRUCTION COSTS % to the previous period



Source: Central Statistical Bureau of Latvia

Limited potentialities of construction capacity become an increasingly essential factor influencing the market of new homes. It causes escalating costs of construction; a risk of construction works to be accomplished behind the deadline increases, as well as a risk of performing low-grade construction works grows.

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STANDARD TYPE DEPARTMENTS

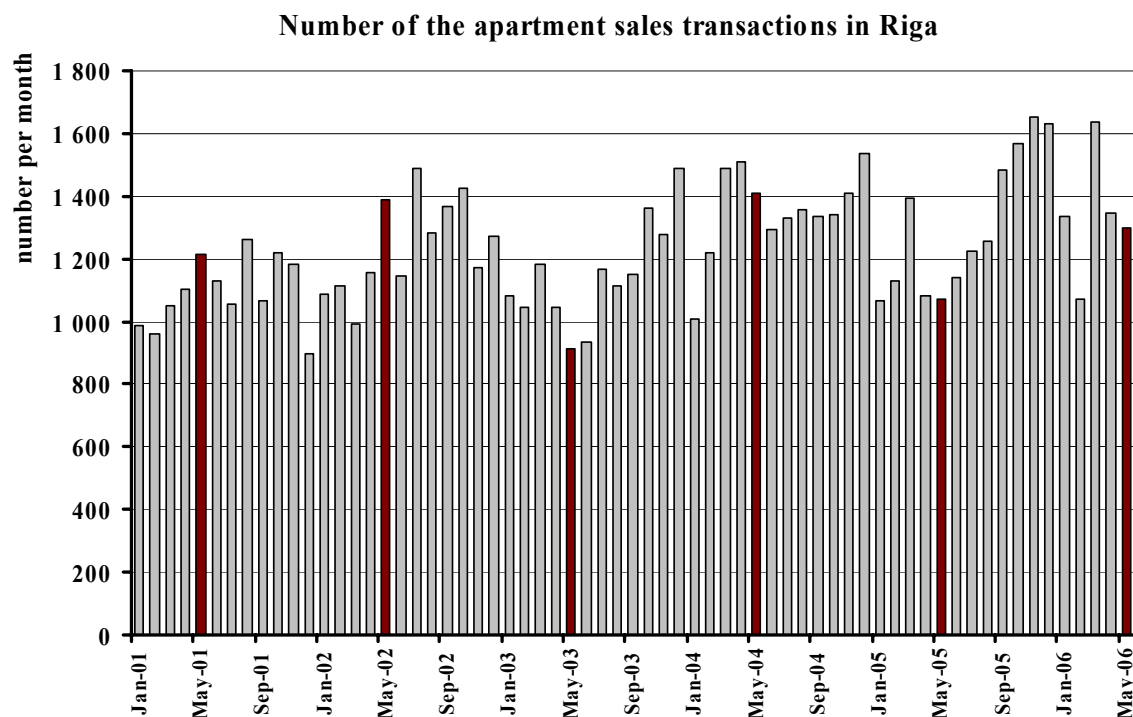
- **In June, increase in prices of standard type apartments continued in Riga.**
- **The average price of a standard type apartment reached 1,217 EUR/sqm.**
- **Prices of standard type apartments decreased in Lithuania and Estonia.**
- **In Riga, amount of transactions with apartments have decreased during the last three months.**

In May, notwithstanding the decrease in prices of standard type apartments built during the soviet times in Lithuania and Estonia, there was no such tendency witnessed in Latvia. On the contrary – in June, the average price of a standard type apartment reached 1,217 EUR per sqm that was for 5% more than in May.

In Lithuania, standard type apartments comprise ca.70% of the market, and prices of such dwellings decreased for 0,5% to 5%; in its turn, in Estonia, the prices decreased for 5% to 10%. Speculators began disposing of their properties, and also the total amount of transactions with real estate decreased, that was confirmed by information given by Lithuanian and Estonian experts during the Baltic Real Estate and Investments Conference held in Riga this June.

One of the possible reasons for decrease in prices of standard type apartments in Lithuania could be postponing of Euro introduction.

In Riga, similar to the neighbouring countries, amount of transactions with apartments have decreased during the last few months. In May, in the capital city, there were 1,300 of such transactions, that was a little less than in the previous month. In comparison to the end of the last year, decrease in amount of transactions makes more than 25%.

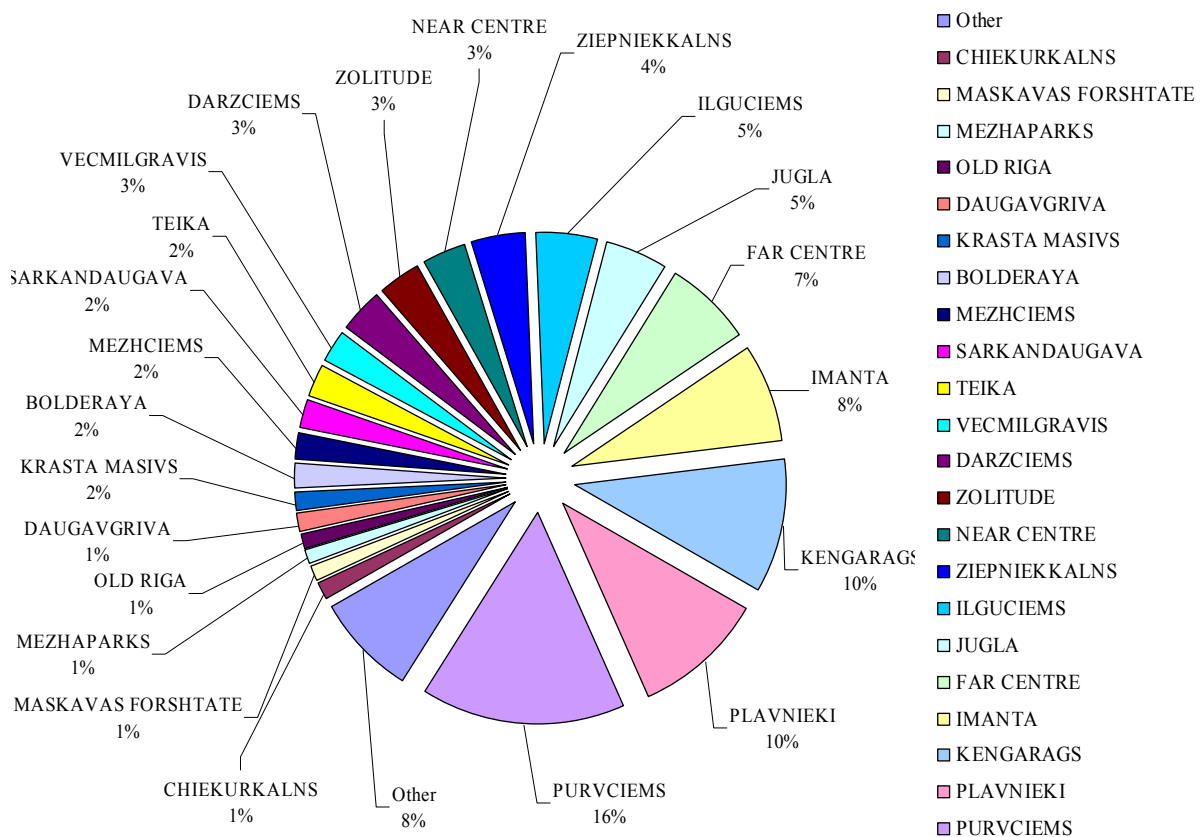


Source: Landbook Register, State Land Service

Without regard to decrease in amount of transactions, prices of standard type apartments in Riga keep rising. In comparison to May, prices increased for 5% in June – such a great procentual growth can be explained by the fact that sellers continue to offer their apartments for prices that were determined with regard to the great increase in prices in the last few months. But more transactions are concluded with „special” purchasers, i.e., purchasers whose priority is not the price but the respective object. Other potential purchasers of apartments sit on the fence. These comings and goings in the apartment sector of the market explain the trend of decreasing amount.

By analysing the number of apartment purchase transactions in May, a typical trend was witnessed that most of apartment purchase transactions took place in residential districts – 16% of the total amount – in Purvciems. In comparison to April, the number of apartment purchase transactions in this residential district increased for 1%, but in Plavnieki, in its turn, for 2%. The least proportion of apartment purchase transactions in May took place in the Old Town, Mezhaparks, Krasta housing estate, Daugavgriva, as well as in Maskavas forshstate and Chiekurkalns.

Apartment purchase transactions ratio among residential districts in Riga, in May 2006



Source: Landbook Register, State Address Register

Typical prices of standard type apartments in Riga residential districts and suburbs in June, EUR

District/ series	Purvciems	Plavnieki	Mežciems	Agenskalns	Zolitūde	Imanta	Jugla	Ziepniekalns	Kengarags	Sarkan daugava	Vecmīlgrāvis	Bolde rāja	Kauguri	Sigulda	Ogre	Jelgava
Series 119	1-room	60 000	60 000			59 000		59 000								
	2-rooms	73 000	73 000			71 000		72 000								
	3-rooms	85 000	85 000			85 000		85 000								
	4-rooms	95 000	95 000			95 000		95 000								
Series 602	1-room	48 000	48 000	46 000		46 000		46 000		42 000	41 000		36 000		41 000	30 000
	2-rooms	67 000	67 000	65 000		62 000		62 000		53 000	50 000		45 000		50 000	47 000
	3-rooms	75 000	75 000	75 000		72 000		72 000		60 000	60 000		59 000		55 000	50 000
	4-rooms	85 000	85 000	85 000		80 000		80 000					66 000			55 000
Series 103	1-room	52 000	52 000		47 000					44 000	43 000	40 000	37 000	27 000		30 000
	2-rooms	70 000	70 000		70 000					60 000	60 000	55 000	48 000	37 000		49 000
	3-rooms	82 000	82 000		77 000					69 000	65 000	65 000	65 000	57 000		65 000
Series 104	1-room	60 000	60 000	60 000		60 000	60 000	60 000								39 000
	2-rooms	75 000	75 000	75 000		75 000	75 000	75 000								51 000
	3-rooms	95 000	95 000	95 000		85 000	86 000	86 000								56 000
„Lithuanian” proj.	1-room	47 000		45 000	44 000		44 000		43 000	43 000		41 000	36 000			28 000
	2-rooms	63 000		62 000	60 000		60 000		60 000	55 000		51 000	51 000			47 000
	3-rooms	73 000		72 000	72 000		72 000		71 000	66 000		64 000	63 000			53 000
„Hruschov” type houses	1-room	46 000			44 000			45 000	43 000	43 000	42 000	41 000		34 000	24 000	31 000
	2-rooms	64 000			58 000			58 000	55 000	54 000	47 000	45 000		43 000	33 000	49 000
	3-rooms	72 000			66 000			66 000	66 000	65 000	58 000	56 000				61 000

Source: LATIO

NEW HOMES

- In June, there were 8 new housing projects offered on the market of new homes.
- In Bolderaja – the first new multi-apartment block project on 25 Sturmanu street.

New housing projects on the market in June

Project Name	Developer	Constructor	Price LVL	Finish	No. of dwellings	No. of buildings
Riga						
„Petit Paris”, Riga, 2 E.Melngaila str.	„Anfilade” Ltd.		2,565	partly	38	1
Riga, Bolderaja, 25 Stūrmaņu str.	„Baltic Finanz-Invest” Ltd.		from 800	partly	24	1
Riga, Imanta, 6 Varkalu str.	„X projekts” Ltd.		from 1,220	full	9	1
Riga, Ilguciems, 35 Bullu str.	„Bullu 35” Ltd.	„ARS Domina” Ltd.	900	partly	38	1
Riga, 3 Nitaures str.	„Nitaures 3” Ltd.	„Kalnozols Celtniecība” Ltd.	from 1,400	partly	21	1
„Bulvaru rezidence”, Riga, 139 Brīvības str.	„Pilsētas Torņi” Ltd.	„RBS Skals” Ltd.	2,250	full	21	1
Riga district						
Ropazhu parish, Silakrogs, Liedagi	IK „Titans”	„Celtniecības pakalpojumi” Ltd.	653	partly	114	2
Cesis						
Cesis, 2d Leona Paegles str.	„Cel tik” Ltd.	„Cel tik” Ltd.	600	partly	53	1

In June, on the market of new homes, developers commenced to offer for sale dwellings in eight new projects of multi-apartment blocks. One must consider that the total number of new housing projects, that are at different stages of development and not offered for sale yet, is bigger. One of the projects offered in June is the project developed by the company „Pilsētas torņi Ltd” – „Bulvāru rezidence” – it has been already commissioned, but the dwellings in the building had not been offered to the potential purchasers while under construction. The former factory building, where the dwellings are offered, was built in 1920, and it hosted a printing – house „Rota”. The building has been renovated by preserving its historical values. There are 21 apartments from 106 to 174 sqm in space in the house. The apartments are offered with full finish, bathroom units, partly also with kitchen units. Such a situation when a developer starts selling of dwellings only after commissioning a building, is very rare in the Latvian real estate market.

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Prices rise for apartments in a great part of new homes during construction. It is related, first of all, to the general price increase within the segment of apartments; and, secondly, it is related to the fact that by decreasing risk to a purchaser not to acquire an apartment in due time and quality, the purchaser is willing to pay more wherewith prices are raised near upon commissioning of the object. By being aware of this situation, there occur project developers that do not hasten to start selling their projects.

In June, the first new multi-apartment block project on Bolderaja's market of dwellings appeared – on 25 Sturmanu street where 24 apartments are offered to purchasers of dwellings, and commercial space to the potential lessees. Earlier in this residential district, separate multi-apartments blocks were renovated, but developers did not build any new multi-apartments blocks on this territory, yet.

Bolderaja traditionally is considered as a lowest rate residential district. Increase in prices of standard type apartments was ca.40% in the last year. It is a bit lower than for the favourite and rich in projects Purvciems (ca.50%) but still high. Prices of apartments in Bolderaja are for 25% lower than in Purvciems. Without regard to this, the average price of standard type apartments in Bolderaja has reached 1,200 EUR/sqm that enabled project developers turn also to this residential district.

DETACHED HOUSES

- **The biggest demand in summer cottages in jurmala is expected in July.**
- **In June, there are more newly erected buildings for rent on Jurmala real estate market than a year before.**
- **In Ogre district, demand for summer cottages rises.**

In June, demand for summer cottages for rent in Jurmala is very high, but there is a limited offer – moreover, rent of summer cottages is often prohibitive for the quality of the offered homes.

In June, there were only the most expensive summer cottages in this segment left in Jurmala. The highest asking rent was fixed in Bulduri where a summer cottage rent would cost potential tenants 30,000 EUR per season. A rent transaction for the highest rent took place in Majori, in June. Summer cottage rent there costed tenants 3,000 EUR per month.

It is a typical of the biggest demand being for rent of summer cottages in the beginning of July and in August – it can be explained by various events taking place in Dzintaru Concert Hall, for example, the festival „Jaunais vilnis” (*New Wave*).

The widest offer at disposal of real estate agencies usually is in the centre of Jurmala – in the area between Lielupe and Majori. It is explained by the fact that summer cottages in this area are more expensive and more difficult to hire out, while many owners of houses in other places in Jurmala – in Melluzhi, Asari, Vaivari, hire out their properties themselves.

According to the information of „Latio” Jurmalas Department on the offer being at disposal of „Latio”, the marginal rent of a summer cottage in Jurmala is 700 LVL per month and 1,000 LVL per season. The marginal summer cottage rent applies to Lielupe, for example, on the very bank of the river, where there is a poor infrastructure (public transport – once per hour, bad road etc.), and where there are only summer, not winter houses prevailing.

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In general, rent of summer cottages depends on location (rent of summer cottages is lower on territories behind the railway than on the sea side) and quality of a house (without regard to location). Rent of a summer cottage always is formed by: location, quality, presence of parking place on the territory, territory fencing, space of the house, as well as technical equipment.

The biggest demand for summer cottages traditionally is closer to the sea – between Bulduri and Dubulti. In the centre of the town there is a well-developed infrastructure – attractive factor for tenants is vicinity of Jomas street as well as the opportunity of attending various cultural events in Dzintaru Concert Hall.

The potential tenants should take it into account – if a summer cottage is offered in the so called exclusive area of Jurmala (between Lielupe and Majori), it does not comprise that the offered house is exclusive. But the rent expected by owners is the same as for a house in the exclusive area.

Buildings in Jurmala are usually offered for rent to potential tenants for a year not for summer months or a few weeks. Such a wish of owners is related to the fact that a long-term hiring out of property is financially more profitable and less venturesome.

In comparison to the situation a year ago, in June, there were more newly erected buildings for rent on Jurmala real estate market. Those were rented mainly for a year not only for summer season or even shorter time.

Rent of summer cottages in Jurmala

Area – Lielupe-Majori	Average rent per month during the season	Average rent per season	Average rent per year
on the railway side	700 LVL	1 200 LVL	350 LVL per month
on the sea side	800 LVL	2 500 LVL	500 LVL per month

Source: LATIO Jūrmalas Department

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A great demand for summer cottages for rent is also on Vidzeme seaside – especially in Pabazhi, Saulkrasti and Zvejniekciems. The average rent per season (May till October) is 1,000 LVL in these areas.

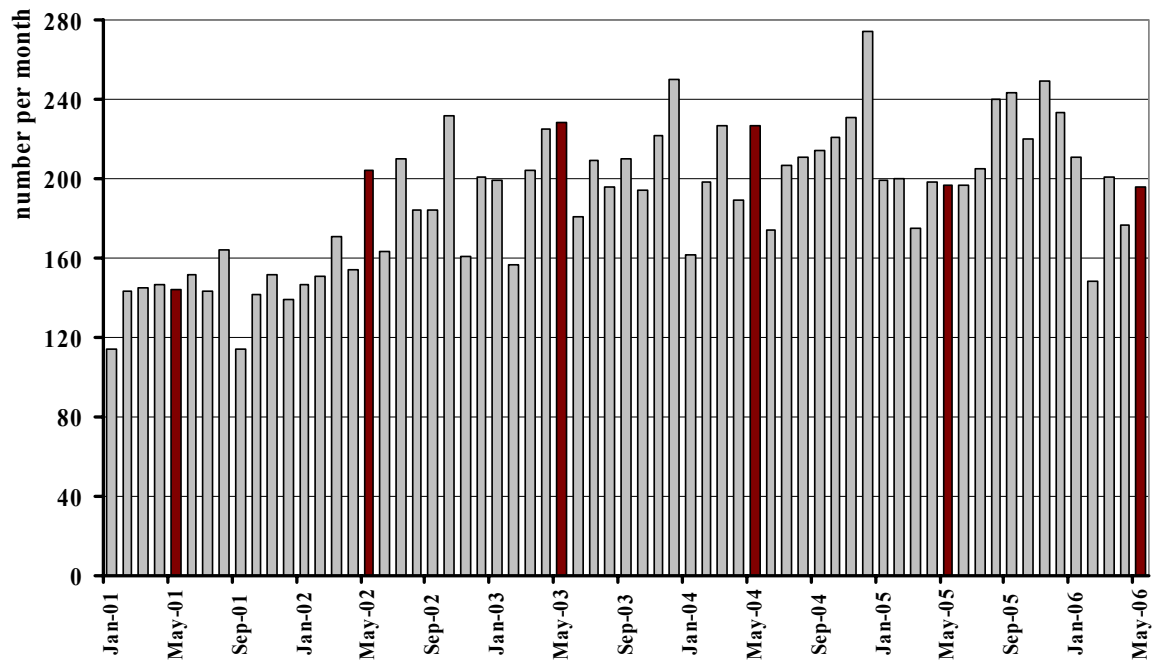
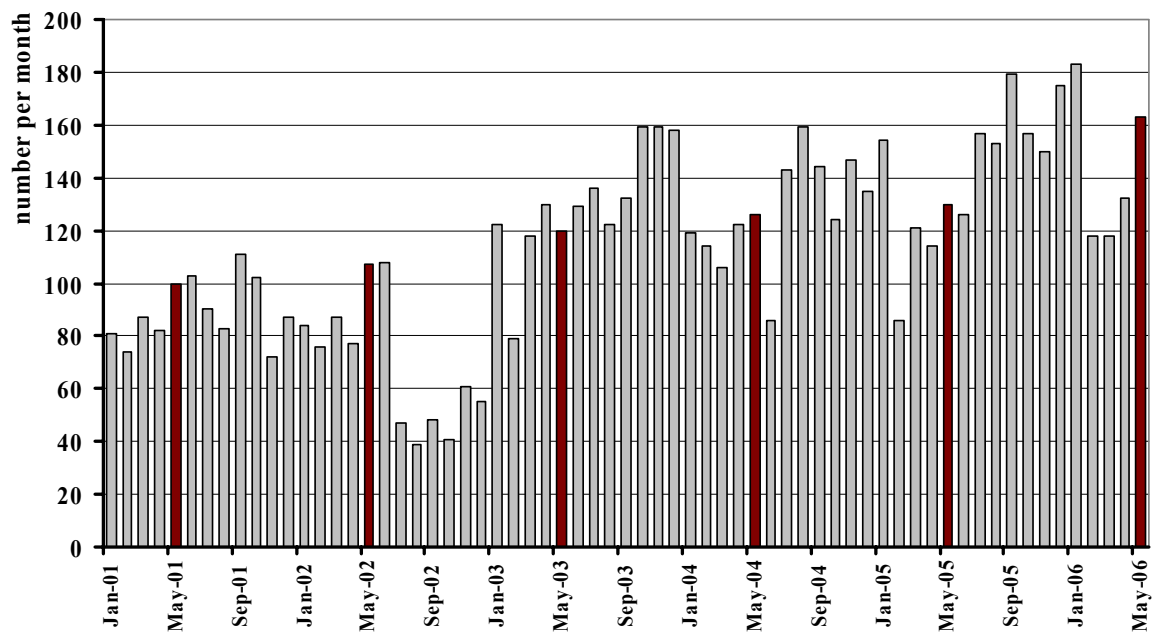
Supply of summer cottages offered to potential purchasers for acquire is bigger than the demand. There is a demand for summer cottages with 2 to 3 rooms, with adjacent land of 1,200 sqm of space, with all the communications, but land lots of such a large space are few. The most widespread space of land lots is 600 sqm in the area of Saulkrastu gardening cooperatives.

The cheapest summer cottages in Saulkrastu cooperatives – without any finish and amenities, cost about 17,000 LVL, on their turn, the most expensive ones of the highest quality – ca. 70,000 LVL.

There is a demand for summer cottage purchase also in Ogre district. According to data of „Latio” Ogres Department, there is a supply of two kinds distinguished.

One of them – a small summer garden house, where one can spend summer weekends, retired persons can spend there all the summer with their grandchildren, there is no need for a special „extras”. Space of such garden houses usually range between 25 and 30 sqm, space of land – 600 to 800 sqm. The biggest demand for such properties is in Darzini (near the river), Lashupes, Urdzinas. Such properties cost from 520 to 640 LVL per sqm on average.

The second most demanded category are summer cottages – typical living detached houses, that are large enough for families to move in from their city apartments in spring and stay there till october. It is another family dwelling. Such houses are in common technical condition with amenities, electricity, heating system and can be used also in winter. In Ogre region, such houses are offered as in Ogre as in Ikshkile.

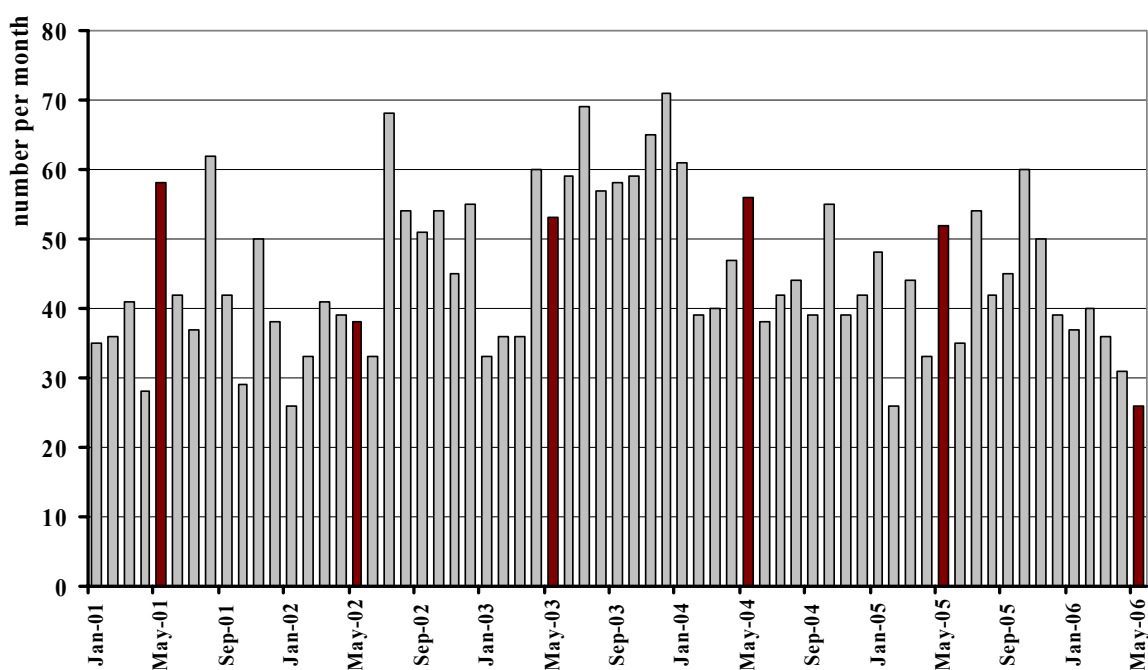
Number of the detached housing sales transactions in Riga

Number of the detached housing sales transactions in Riga region


Source: Landbook Register

Data publishing without reference to the source is prohibited!

Due to limited construction potentialities, market of private houses develops more in Riga district than in Riga city. This was the reason for increasing number of transactions with private houses in Riga district, in May. There is an increase also in comparison to previous years. Amount of transactions is enlarged by transactions with private houses, that were erected recently with an aim to sell them, then commissioned and sold. The actual number of erected private houses is bigger, because a part of them are built for one's own needs, construction of part of them is finished but formally they are not commissioned.

Number of the detached housing sales transactions in Jurmala



Source: Landbook Register

There is an increase in asking price of private houses in Jurmala. Houses with a high price are in wider supply than in the last few months. The amount of transactions, however, has a trend to decrease because those offers which are accepted also by purchasers come to life through transactions.

RESIDENTIAL DEVELOPMENT LAND

- **Jurmala Town Council confirm the controversial amendments of town development plan.**
- **Due to intercepted amendments of development plan in Babite parish, there are difficulties with sitting on construction propositions on Spilve polder territory.**
- **In June, elaboration of the new development plan of Babite parish was begun.**

During an extracurricular meeting held on June 29, deputies of Jurmala Town Council decided to maintain the drafting of town development plan amendments adopted on June 1 that caused protests of society and separate political parties.

There was established an addition to previously elaborated amendments of town development plan. The addition provided for 22 territories in the area of 40 ha to be preserved as territories of natural base.

Before that – during an extracurricular meeting held on June 15, Jurmala Town Council decided to improve the controversial amendments of town development plan adopted two weeks before, in the face of many objections of citizens, organizations and institutions.

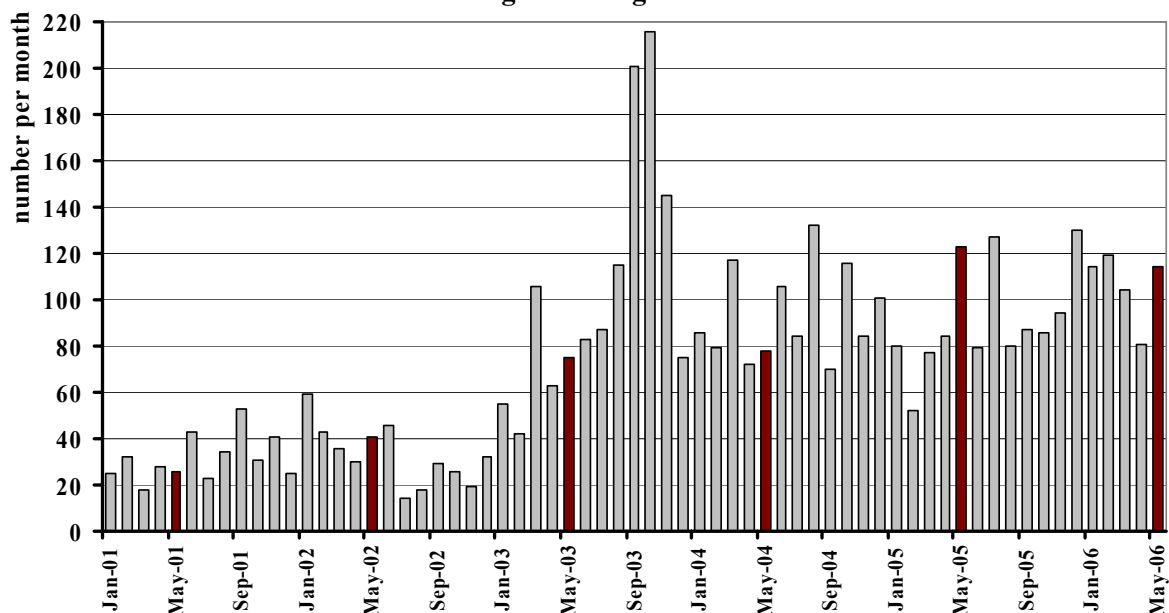
In Babite parish in May, by order of minister Maris Kuchinskis, Ministry of Regional Development and Local Government, there were cancelled binding regulations that were adopted by establishing amendments of Babite parish development plan. According to information given by Territory Planning Department of „Latio” daughter company „Metrum”, at present, local government makes decisions, including permissions to develop detail plans and confirming elaborated detail plans, issuing construction permissions on the ground of the old – „unamended” Babite parish development plan.

In parallel, a new Babite parish development plan is being elaborated, which first edition is planned to be sit on in the end of July – such forecast can be considered as optimistic. With regard to the arisen situation, there are difficulties of sitting on construction proposals in Babite parish.

It mainly concerns Spilves polder territory. Though it has precised borders and wherewith there are more clear „rules of the game”, one must stick to its status of the land of national agricultural importance – there is permitted only construction of buildings for agriculture and similar.

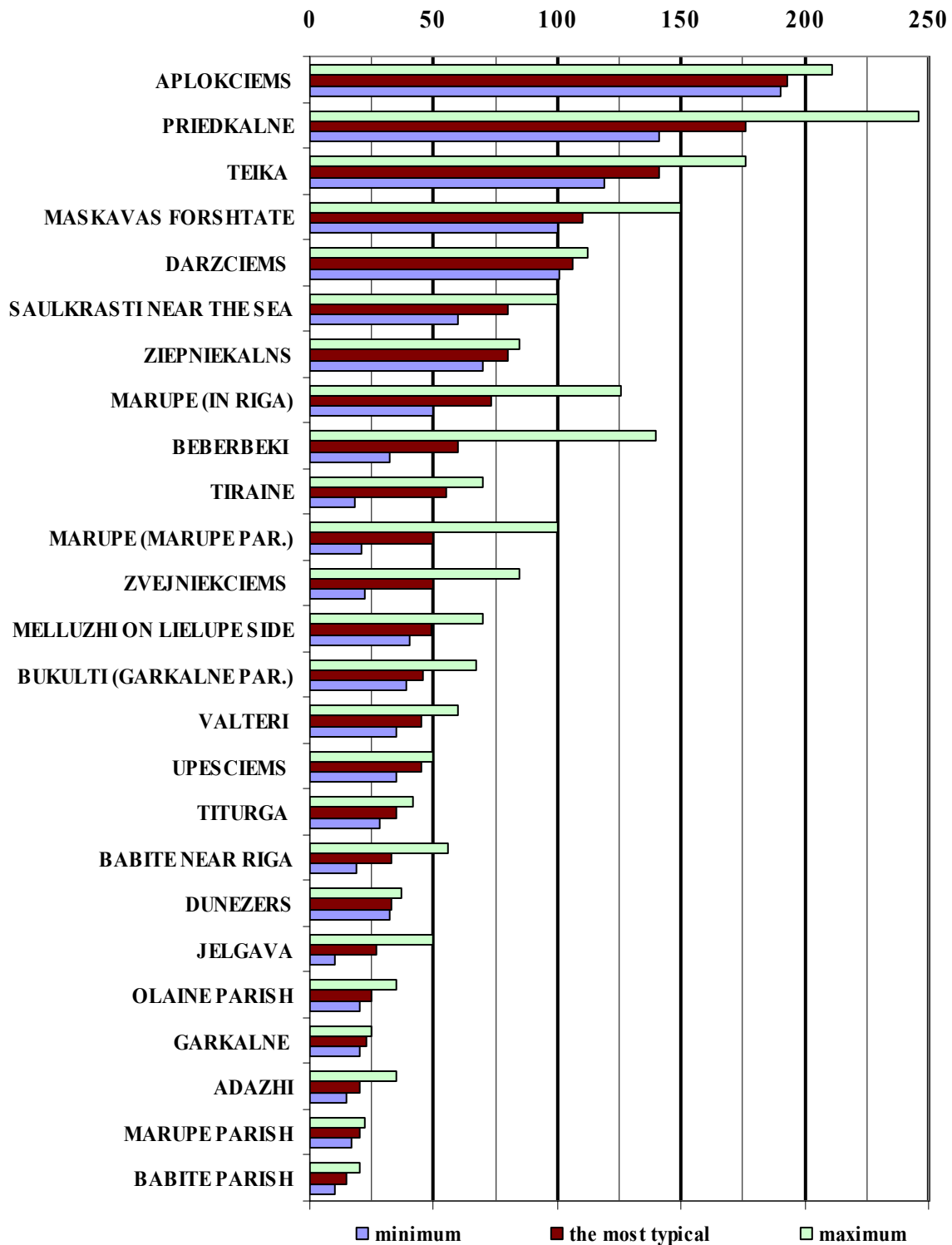
All in all, there was a characteristic situation in Babite parish in June – potential buyers of residential development land sat on the fence. Purchasers agreed to buy only those residential development land lots that where issued construction permissions to.

**Amount of parcelled and sold residential development land lots
in Riga and Riga district**



Source: Landbook Register

Residential development land prices, LVL/sqm



Source: LATIO

COMMERCIAL SPACE MARKET

OFFICE SPACE

- **On Daugavas street, near Riga detour road, a new Class B office centre is being constructed.**
- **Due to office building fire on 214m Brivibas street a sudden demand for new office premises elsewhere in the city was caused.**

In June, a new Class B office centre appeared on the office market. Its total area is 5,000 sqm, there is offered also a warehouse 1,000 sqm large. In the future, it is planned to enlarge warehouses in the new office centre located on Daugavas street after Marupe, in the vicinity of Riga detour road. One of the developer's visions is also construction of a supermarket near the office complex being under construction at the moment. It is expected for the first building round of the office centre – the stock and 600 sqm office space – to be commissioned in this November.

Because of high dangerousness fire in office building on 214m Brivibas street in the complex of the former factory „VEF”, in June, several lessees of this office building caused a sudden demand for office space elsewhere in the city.

Since office premises used by lessees in the considered office building were fire damaged, and renovation of them would take several months, separate lessees tried to urgently resolve the question of searching for new space. Among the lessees of fire damaged office building are, for example, *BMJ Ltd.*, *Bona Transports Ltd.*, *JSC „Cēsu alus”* Riga Bureau of Sales and Marketing Department, and offices of many other companies, too.

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RETAIL SPACE

- **In June, an imposing trade complex „Elkor Plaza” was opened.**
- **Premises for the highest rent price in the amount of 75 EUR per sqm were leased out on Barona street.**
- **Asking prices of retail space objects having been in offer for a year in Riga residential districts increased for 30%-40%.**
- **Trade centre „Olympia” are going to alter its former position on the market and will attract new lessees.**

In the centre of Riga, on Barona street, in June, there was concluded a space rent transaction for the highest rent ever fixed in this segment – 75 EUR per sqm. Premises were leased out to some providers of mobile communication services.

The fact that a transaction for such a rent was concluded testifies that large companies are willing to pay comparatively high rent for very good, strategically significant retail space. There is an interest of potential lessees in that expensive space even without regard to part of large companies calling such cases rent corruption and not-founded rent raise.

In June, trade centre „Olympia” altered its former concept within the market. By change of owners of the trade centre there is developed the general concept and position of the trade centre within the market. Probably, there will be changed some lessees of the trade centre – by the end of the term of validity of the present lease agreements, they will not be prolonged. It is expected to attract new lessees – in compliance with the new concept of the trade centre.

In June, near the VEF bridge, there was opened an imposing trade complex „Elkor Plaza” – wherewith the total retail space in Riga enlarged to 25,000 sqm.

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There were 18 mln. euros invested into development of the new trade complex, its total space will be 30,000 sqm, including retail space – 25,000 sqm. There are provided parking places for 700 cars. There are opened various „Elkor” shops in the new complex. The company have widened their profile of supply – there are offered not only sports-wear and outfit, electronic devices but also different articles for home.

Next to the newly opened „Elkor Plaza” there is also the centre „Elkor Centrs” opened in 2003, that will be renovated.

In June, a trend emerged that asking prices of retail space in Riga residential districts climbed up for 30% to 40%, for the objects that have been for sale for a year. Potential buyers that intend to purchase retail space have to reckon with the overall rise in selling prices, not only in residential districts

In the city centre, retail space is sold for 2,000 EUR per sqm to 3,500 EUR per sqm on average. In its turn, in residential districts, retail space of 100 to 300 sqm large are sold for 1,000 EUR per sqm to 1,500 EUR per sqm. There is characteristic trend that such asking prices are a typical of the most Riga residential districts – among them also Vecmilgravis, Sarkandaugava, Kengarags. Potential owners of such premises are providers of various services, small pastry shops, etc..

In June, in comparison to the last months, bigger demand for rent space in the Old Town was caused by business persons that would like to develop public catering business. There was a demand for space 150 to 200 sqm large in the Old Town streets with the longest surge of people, but supply is very limited in this regard. The demand is formed by entrepreneurs who have already a business of this kind and they would like to enlarge it, as well as those whose basic business is within some other field, but they have an idea of supplementary business direction.

In June, several lessees made a demand for larger retail space – from 500 up to 2,000 sqm. Those were separate shop chains that had already retail space somewhere else in the city, and furniture sellers.

In June, with regard to the demand and market situation, rent was raised for retail space in the project „Panorama Plaza”. In June, rent in this project reached 19 EUR per sqm to 20 EUR per sqm.

INDUSTRIAL SPACE

- **In Olaine parish, there is a new industrial park „Dommo Business Park” developed.**
- **In June, interest of potential lessees in the new industrial objects increased.**

In June, interest of potential lessees in the new industrial objects increased – demand for them was small before, because lease price was much higher than the old warehouses and production premises.

Rent of warehouses and production premises stay on the level of the previous month – the newly erectable objects are about 6 EUR per sqm, older objects – ca.2.5 EUR per sqm to 3 EUR per sqm.

In June, 50 % of the demand were formed by wholesale companies searching for warehouse premises.

In June, supply appeared in the new „Dommo Business Park” in Riga district, Olaines parish „Gaismas”. The new business park is situated 13 km from Riga centre, and just as close as that to the Riga airport. „Dommo Business Park”, in the area of 54 ha, is planned to be developed by construction of a modern production, warehouse, office, retail and service centre. Development of the territory is planned to be carried out in two stages – amendments of the territory planning and the detail plan of the first stage were adopted this March. The space planned to be developed on the first stage is 91,399 sqm, on the second stage – 94,674 sqm.